

**DEPARTMENT OF TREASURY**

**OFFICE OF THE COMPTROLLER OF THE CURRENCY**

**FISCAL YEAR 2005**

**CONGRESSIONAL BUDGET SUBMISSION**

**OFFICE OF THE COMPTROLLER OF THE CURRENCY  
FY 2005 PERFORMANCE BUDGET**

**TABLE OF CONTENTS**

<b>SECTION 1 – STRATEGIC CONTEXT .....</b>	<b>1</b>
Strategic Context for the FY 2005 Budget/Performance Plan.....	1
OCC Support of Treasury Goals and Objectives.....	4
<b>SECTION 2 – THE PERFORMANCE BUDGET.....</b>	<b>5</b>
Summary of Total Program Operating Level by Treasury Goal and Objective .....	5
Digest of FY 2005 Budget Estimates by Activity .....	6
<b>SECTION 3 – EXPLANATION OF PERFORMANCE AND RESOURCES BY BUDGET ACTIVITY .....</b>	<b>7</b>
Narrative Summary of Program Resources and Performance .....	7
Budget Activity: Charter .....	7
Evaluation of FY 2005 Performance Plan.....	8
FY 2006 Performance Plan .....	8
Budget Activity: Regulate .....	9
Evaluation of FY 2005 Performance Plan.....	9
Budget Activity: Supervise.....	11
Evaluation of FY 2005 Performance Plan.....	11
FY 2006 Performance Plan .....	12
Summary of Program Resources and Performance .....	13
<b>SECTION 4 – SUPPORTING MATERIAL .....</b>	<b>16</b>
Major Management Challenges and High Risk Areas.....	16
Program Assessment Rating Tool Report.....	17
Cross-Cutting Coordination Efforts.....	18
Detail of Full-Time Equivalent Staff Years By Category .....	21
Detail of Full-Time Equivalent Positions By Grade.....	22
Standard Object Classification Schedule – Direct Obligations .....	23
Verification and Validation of Data and Performance Measurement.....	24
Summary of Capital Investments.....	36

## **SECTION 1 – STRATEGIC CONTEXT**

### **STRATEGIC CONTEXT FOR THE FY 2005 BUDGET/PERFORMANCE PLAN**

This document presents justification of the FY 2005 budget by demonstrating how the funding will allow the Office of the Comptroller of the Currency (OCC) to achieve its strategic goals and annual performance plan.

#### **Mission**

The OCC was created by Congress to charter national banks, to oversee a nationwide system of banking institutions, and to assure that national banks are safe and sound, competitive and profitable, and capable of serving in the best possible manner the banking needs of their customers.

#### **Key Strategic Issues**

During FY 2005, the OCC will face several challenges that could affect the ability to achieve its strategic goals. These challenges are discussed as they relate to OCC's major program areas.

Charter: New national bank charters and the increasing number and complexity of mergers, acquisitions, consolidations and restructuring of existing banks continue to have a significant impact on the OCC's charter program. During FY 2004, the OCC received 30 percent more corporate applications than it had anticipated at the end of FY 2003. The OCC believes the number of applications will remain at this same level in FY 2005. The OCC is committed to meeting the challenge of this increased workload while maintaining the quality and timeliness of its decisions on these applications. Chartering resources will continue to be focused on ensuring applications are thoroughly evaluated and that sound decisions are made to protect the overall financial stability of the national banking system.

Regulate: In FY 2005, the OCC will continue to consider the competitive impact and cost of implementation of Basel II, including a fourth quantitative impact study. Additional supervisory guidance for various portfolios and risk exposures covered by Basel II will also be published for comment. The OCC anticipates that a notice of proposed rulemaking on possible revisions to risk-based capital adequacy regulations relating to Basel II will be published in mid-calendar year 2005. Work is also expected to continue on consumer protection initiatives, and additional regulations under the Fair and Accurate Credit Transactions (FACT) Act will be

## Office of the Comptroller of the Currency

developed. The agency also will be implementing regulatory and/or supervisory recommendations based on its review of Bank Secrecy Act/Anti-Money Laundering (BSA/AML) supervision. The OCC plans to issue a revised BSA handbook and complete booklets on Related Organizations, Insiders Activities, and Management and Board Supervision as part of the new Comptroller's handbook series on corporate governance during FY 2005. Federal preemption also is expected to remain a prominent issue for analysis and issuance of legal opinions by the Chief Counsel.

Supervise: An uneven economic recovery may leave certain business segments and bank portfolios vulnerable to continued credit quality concerns and earnings pressures. Higher interest rates may place renewed pressures on asset liquidity and investment portfolios, bank core deposits, and mortgage banking activities and related fee income. As a result, credit quality, adequacy of allowance of loan and lease losses, off-balance sheet activities, and liquidity and interest rate risk management will continue to require close supervisory attention.

Industry consolidation and earnings pressures will continue to create incentives for banks to reduce overhead, outsource technology- or people-intensive operations to third party vendors, and search for new or expanded products and services. Assessing the adequacy and effectiveness of banks' transactions and strategic and reputation risk management processes will continue to be a critical component of OCC's supervisory strategies. Effective bank supervision will also include consumer and compliance issues, such as BSA/AML, privacy, predatory lending, and the Community Reinvestment Act (CRA).

The OCC has two important information systems projects planned for FY 2005, to enhance its BSA/AML work. The Quantity of Money Laundering Risk Identification project will allow the OCC to gather quantity of money laundering risk information for each mid-size and community bank. This information will be used to develop unique supervisory strategies, allocate examiner resources, and quantify money laundering risks across this population of national banks. The Suspicious Activity Reports (SAR) Data Base will increase OCC's ability to detect existing and emerging operational risks associated with suspicious activity reported by the banking industry, the national banking system, or subsets thereof and develop appropriate supervisory responses to those risks.

In addition to the supervisory issues facing the OCC, several large banking institutions have joined the national banking system. Three new banks were added to both the mid-size and large bank programs during FY 2004. Another new institution will be added to the large bank supervision program in early FY 2005. This growth in the mid-size and large bank programs is somewhat offset by a decreasing number of community banks.

## Office of the Comptroller of the Currency

The OCC will need to ensure sufficient staffing to examine these new banks, particularly in the large bank program. A significant challenge for the OCC will be to successfully recruit examiners to the New York area where attracting and maintaining permanent staff has been particularly difficult to achieve. To meet this challenge, the OCC will have to identify innovative recruitment, relocation, and retention incentives to attract staff to historically difficult locations. Until permanent staffing is accomplished, the OCC will realign its existing resources to ensure effective risk-based supervision of these new banking institutions.

During FY 2005, the OCC will continue its aggressive college recruitment of new bank examiners, which began in FY 2003. A significant initiative for the OCC is to continue redesigning and delivering training courses to its entry level bank examiners. This is a critical initiative for the OCC as these new examiners are the foundation for the examination cadre into the future.

In FY 2005, the OCC will re-open its customer assistance telephone lines on Fridays to allow bank customers greater access and flexibility in reaching the OCC with their bank concerns and problems. During the third quarter of FY 2004, the OCC increased resources allocated to the Customer Assistance Group to begin staffing up to meet the increased call volume and related increase in written complaints that will likely occur when the telephones are opened to the public for an additional day. Additional resources will be devoted to this function in FY 2005.

The OCC will accomplish its FY 2005 program responsibilities at an estimated 2,791 FTE level, a 4.2 percent increase over the 2,678 FTE used in FY 2004. Most of the increased resources will be devoted to supervision of the new national banks.

## OCC SUPPORT OF TREASURY GOALS AND OBJECTIVES

The table below displays the relationship between OCC's strategic and performance goals to Treasury's Strategic Plan.

<b>Treasury Strategic Goal: Promote prosperous U.S. and World economies (E1)</b>		
<b>Treasury Strategic Objective</b>	<b>OCC Strategic Goal</b>	<b>OCC Performance Goals Linked to Strategic Goal</b>
Provide a flexible legal and regulatory framework (E1B)	A flexible legal and regulatory framework that enables the national banking system to provide a full competitive array of financial services	A. Complete licensing applications and notices in a timely manner
<b>Treasury Strategic Goal: Preserve the integrity of financial systems (F3)</b>		
Increase the reliability of the U.S. financial system (F3C)	<p>A safe and sound national banking system</p> <p>Fair access to financial services and fair treatment of bank customers</p>	<p>A. Maintain a well-capitalized national banking system</p> <p>B. Maintain a safe and sound national banking system through effective supervision</p> <p>C. Achieve effective rehabilitation of problem national banks</p> <p>D. Maintain a national banking system that effectively complies with consumer laws and regulations</p>

**SECTION 2 – THE PERFORMANCE BUDGET****SUMMARY OF TOTAL PROGRAM OPERATING LEVEL BY TREASURY GOAL AND OBJECTIVE**

(Dollars in Thousands)			
TREASURY GOAL/OBJECTIVE	FY 2004 Actual	FY 2005 Estimate	FY 2006 Estimate
<b>TREASURY GOAL: Promote prosperous U.S. and World economies (E1)</b>			
<b>Budget Obligations</b>	<b>\$78,211</b>	<b>\$64,736</b>	<b>\$65,930</b>
<b>Full-time Equivalents (FTE)</b>	<b>466</b>	<b>317</b>	<b>316</b>
<i>Objective : Provide a flexible legal and regulatory framework (E1B)</i>			
Budget Obligations	\$78,211	\$64,736	\$65,930
Direct Full-time Equivalents	466	317	316
<b>TREASURY GOAL: Preserve the integrity of financial systems (F3)</b>			
<b>Budget Obligations</b>	<b>\$371,252</b>	<b>\$454,673</b>	<b>\$464,078</b>
<b>Full-time Equivalents (FTE)</b>	<b>2,212</b>	<b>2,474</b>	<b>2,496</b>
<i>Objective : Increase the reliability of the U.S. financial system (F3C)</i>			
Budget Obligations	\$371,252	\$454,673	\$464,078
Direct Full-time Equivalents	2,212	2,474	2,496
<b>Total Budget Obligations</b>	<b>\$449,463</b>	<b>\$519,409</b>	<b>\$530,008</b>
<b>Total Full-time Equivalents (FTE)</b>	<b>2,678</b>	<b>2,791</b>	<b>2,812</b>

**DIGEST OF FY 2005 BUDGET ESTIMATES BY ACTIVITY**

(Dollars in Thousands)

BUDGET ACTIVITY	FY 2004 Actual		FY 2005 Budget Estimate		FY 2006 Budget Estimate		INCREASE (+) OR DECREASE (-) FOR	
	TOTAL CHANGES							
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>Program Operating Level</b>								
1. Charter	98	\$16,448	70	\$13,940	70	\$14,215	0	\$275
2. Regulate	368	\$61,763	247	\$50,796	246	\$51,715	(1)	\$919
3. Supervise	2,212	\$371,252	2,474	\$454,673	2,496	\$464,078	22	\$9,405
<b>Total, Program Operating Level</b>	<b>2,678</b>	<b>\$449,463</b>	<b>2,791</b>	<b>\$519,409</b>	<b>2,812</b>	<b>\$530,008</b>	<b>21</b>	<b>\$10,599</b>



### **SECTION 3 – EXPLANATION OF PERFORMANCE AND RESOURCES BY BUDGET ACTIVITY**

In the first quarter of FY 2005, Treasury launched a process to streamline its current set of performance measures. Its purpose was to increase the value of the information provided to our stakeholders, respond to congressional requests, focus our priorities, and reduce administrative burden. Results of the process indicated a 60-70 percent reduction in the number of performance measures overall at the Treasury level. At the bureau level, measures that are no longer included in the budget submission are classified as "discontinued" and are indicated as such. The end result will be apparent in next year's performance report and budget submission, in the form of a more concise explanation of program performance relative to prior years.

#### **NARRATIVE SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE**

The OCC FY 2005 performance budget is presented programmatically to align resources with performance. OCC's operations are divided into three major budget activities: Charter, Regulate and Supervise. Each of these activities is discussed separately. Budget and performance information are provided in one summary table at the end of these discussions to show historical trends and performance challenges and expectations.

##### **Budget Activity: Charter**

The Charter activity supports Treasury's strategic objective of providing a flexible legal and regulatory framework. The Charter program involves those ongoing activities that result in the chartering of national banks as well as the evaluation of the permissibility of structures and activities of national banks and their subsidiaries. This includes the review and approval of new national bank charters, Federal branches and agencies, mergers, acquisitions, conversions, business combinations, corporate reorganizations, changes in control, operating subsidiaries, branches, relocations, and stock and debt issues. These activities directly support OCC's goal of a flexible legal regulatory framework that enables the national banking system to provide a full competitive array of financial services.

## **EVALUATION OF FY 2005 PERFORMANCE PLAN**

### Evaluation of FY 2005 Performance Plan compared with FY 2004

In FY 2004, the OCC effectively responded to an unanticipated 30 percent increase in corporate applications resulting from mergers, acquisitions, consolidations, and restructuring within the national banking system. The OCC maintained its high standards of quality and timeliness in responding to this increased volume of work. The OCC expanded the number of corporate applications and notices available on e-Corp and has continued to promote the benefits of electronic filing during outreach programs to the industry. In FY 2004, 34 percent of applications were filed electronically, exceeding the target of 15 percent.

During FY 2005, the OCC expects to respond to the corporate application workload with the same degree of timeliness that has occurred in FY 2004. The FY 2005 target of 95% reflects a consistently high level of service that the OCC has maintained over several years. The OCC believes the 5% variance is reasonable given the varying complexity of applications that are received balanced with the resources committed to these activities. This level of service is further validated by the consistent positive feedback the OCC receives from the applicants regarding the licensing function.

The FY 2004 utilization of 98 FTE for the Charter program exceeded the initial planned level by 12 FTE or 14%. This utilization level can be attributed to higher than anticipated support work for licensing decisions in response to the number and complexity of applications received during FY 2004.

## **FY 2006 PERFORMANCE PLAN**

### FY 2006 Proposed Program Performance

The OCC's commitment to timeliness and quality on corporate application decisions remains at the same level planned for FY 2005.

**Budget Activity: Regulate**

The Regulate activity supports Treasury's strategic objective of providing a flexible legal and regulatory framework. The Regulate program consists of those ongoing activities that result in the establishment of regulations, policies, operating guidance, and interpretations of general applicability to national banks. These regulations, policies, and interpretations may establish systemwide standards, define acceptable banking practices, provide guidance on risks and responsibilities facing national banks, or prohibit (or restrict) banking practices deemed to be imprudent or unsafe. The program also provides analysis and legal opinions on Federal preemption of state law. This program includes the establishment of examination policies, handbooks, and interpretations for examiners as well as representing the OCC's regulatory authorities and interpretations in administrative, judicial, and congressional hearings. These activities directly support OCC's goal of a flexible legal regulatory framework that enables the national banking system to provide a full competitive array of financial services.

**EVALUATION OF FY 2005 PERFORMANCE PLAN**

Evaluation of FY 2005 Performance Plan compared with FY 2004

With the other federal financial agencies, the OCC issued a number of rulemakings and supervisory guidance. The OCC and other agencies issued proposed rules under the FACT Act regarding affiliate marketing and protection of consumer information, and sought public comment on and continued the development of simplified privacy notices. Joint final rules regarding the risk-based capital treatment of certain asset-backed commercial paper programs were also issued. The agencies also sought comment on a proposed statement on complex structured finance activities that addresses legal and reputation risk associated with their use, and on proposed supervisory guidance on overdraft protection programs. Additional interagency supervisory policies were issued on banks' providing financial support to investment funds advised by a bank, its subsidiaries or affiliates; the need for independence in banks' real estate lending appraisal processes; accounting for deferred compensation agreements; and revisions to the agencies' uniform agreement on the classification of securities.

## Office of the Comptroller of the Currency

The OCC issued final rules on pre-emption and visitorial powers, including strong anti-predatory lending standards. The OCC also issued a final rule extending the existing lending-limit pilot program, covering 1-4 family residential real estate loans and small business loans, for three years until June 2004, and expanding the program to include agricultural loans. In addition, the OCC also issued advisories on stored value payroll cards and electronic record keeping and supervisory guidance regarding interest rate risk and the importance of measuring the cash flow and valuation risks of longer-term assets and liabilities that have embedded option features. In the area of corporate governance, the OCC updated and re-issued publications designed to aid bank directors in performing their duties properly -- "Detecting Red Flags in Board Reports-A Guide for Directors" and "A Pocket Guide to Red Flags in Board Reports," and issued guidance on the risk management principles for new or expanded products and services.

During FY 2004, the OCC issued 29 percent more legal opinions than it did in FY 2003, and exceeded the target of 85% for timely issuances.

The FY 2004 utilization of 368 FTE for the Regulate program exceeded the initial planned level by 177 FTE or 93%. This utilization level can be partially attributed to the increased resources for congressional testimony and outreach activities. The other contributing factors to this variance is that FY 2004 was the transition year for the elimination of the Analyze Risk program and the implementation of a new activity-based time reporting structure. Initially, the OCC's supposition was that most of the resources previously charged to the Analyze Risk program would be charged to activities related to the Supervise program. In practice, however, this was not the case. Changing from a program-based labor allocation structure to an activity-based structure further affected the programmatic view of planned versus actual resources in FY 2004. The FY 2005 and 2006 planned program allocations are the result of the OCC's bottom up approach to budget formulation rather than a rollover of FY 2004 execution. As the OCC gains more experience with the activity-based labor allocation structure, the planned and actual should become more closely aligned.

**Budget Activity: Supervise**

The Supervise activity supports Treasury's strategic objective of preserving the integrity of financial systems. The Supervise program consists of those ongoing supervision and enforcement activities undertaken to assure that each national bank is operating in a safe and sound manner and is complying with applicable laws, rules, and regulations relative to the bank and the customers and communities it serves. This program includes bank examinations and enforcement activities; resolution of disputes through the National Bank Appeals process; ongoing monitoring of banks; facilitation of the resolution of consumer complaints; and analysis of systemic risk and market trends in the national banking system or groups of national banks, the financial services industry, and the economic and regulatory environment. These activities directly support the OCC's goals of a safe and sound national banking system that provides fair access to financial services and fair treatment of bank customers.

**EVALUATION OF FY 2005 PERFORMANCE PLAN**

Evaluation of FY 2005 Performance Plan compared with FY 2004

The OCC met or exceeded the FY 2004 performance targets established for the Supervise program, with the exception of timely completion of consumer complaints. The examination-related performance reflects a strong national banking system despite uneven economic recovery in the U.S. Overall, national banks are well-capitalized with strong CAMELS and consumer compliance ratings. The OCC took prompt corrective action on the relatively few banks that were critically undercapitalized. The percentage of problem banks rehabilitated in FY 2004 was 40 percent of the banks with CAMELS rating of 3, 4, or 5 one year ago. This is an increase over FY 2003, when 32 percent had improved CAMELS ratings. This is reflective of the improving economy and shortening of the cycle time banks need to markedly affect changes in their operations. The OCC continues effective outreach to qualifying national banks on community development opportunities.

The Customer Assistance Group did not meet the target of responding to 80 percent of consumer complaints within 60 days during FY 2004 because the complexity of the written cases has increased, along with a decline in the number of cases that can be closed over the phone. Although the number of cases has declined slightly in FY 2004, the increased complexity impeded OCC's ability to meet the target. While this goal was not attained in FY 2004, management anticipates achieving this level of service through an increase in staffing for the Customer Assistance Group and continued enhancements in the efficient and effective use of technology during FY 2005.

## Office of the Comptroller of the Currency

All FY 2005 targets related to the examination function have been established at the same levels as planned for FY 2004, even though in some instances, actual performance was higher. The OCC believes these targeted levels of performance are indicative of a strong national banking system that effectively supports the U.S. economy. The targets recognize that deficiencies are identified during bank examinations and that the OCC will make recommendations for improving operations, and where warranted, will take appropriate enforcement actions.

The FY 2004 utilization of 2,212 FTE for the Supervise program was 300 FTE (12%) less than the initial FY 2004 planned level. This variance can be attributed to the elimination of the Analyze Risk program as discussed in more detail under the Regulate program and the difficulty filling vacancies in some areas of the Supervision organizations.

### **FY 2006 PERFORMANCE PLAN**

#### FY 2006 Proposed Program Performance

The FY 2006 targets for the Supervise program have been established at the same levels as planned for FY 2005.

## SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE

(Dollars in Thousands)							
BUREAU-WIDE ACTIVITIES	FY 2001	FY 2002	FY 2003	FY 2004		FY 2005	FY 2006
	Actual	Actual	Actual	Target	Actual	Estimate	Estimate
Charter Program Operating Level (direct)	\$11,470	\$11,185	\$10,991	\$15,808	\$16,448	\$13,940	\$14,215
Charter Program FTE (direct)	82	79	75	86	98	70	70
Regulate Program Operating Level (direct)	\$26,326	\$24,660	\$24,494	\$37,171	\$61,763	\$50,796	\$51,715
Regulate Program FTE (direct)	184	173	173	191	368	247	246
Supervise Program Operating Level (direct)	\$368,267	\$381,557	\$391,996	\$423,896	\$371,252	\$454,673	\$464,078
Supervise Program FTE (direct)	2,571	2,540	2,513	2,512	2,212	2,474	2,496
Total Operating Level (direct)	\$406,063	\$417,402	\$427,481	\$476,875	\$449,463	\$519,409	\$530,008
Total FTE (direct)	2,837	2,792	2,761	2,789	2,678	2,791	2,812
<b>Treasury Goal: Promote prosperous U.S. and World economies (E1)</b>							
<b>Treasury Objective: Provide a flexible legal and regulatory framework (E1B)</b>							
Direct Resources [ <i>Salaries and Expense Account</i> ]	\$37,796	\$35,845	\$35,485	\$52,979	\$78,211	\$64,736	\$65,930
Direct FTE	266	252	248	277	466	317	316
<b>Performance Goal: Increase the proportion of institutions that use the Internet to file licensing applications (E1B)</b>							
1. Percentage of licensing applications filed electronically (Oe) [Revised]	Not Applicable	Not Applicable	8%	15%	34%	Discontinued	Discontinued
2. Number of licensing applications filed electronically during the fiscal year (Ot) [Revised]	Not Applicable	Not Applicable	182	285	893	Discontinued	Discontinued
<b>Performance Goal: Complete licensing applications and notices in a timely manner (E1B)</b>							
1. Percentage of licensing applications and notices completed within established time frames (E)	96%	96%	97%	95%	96%	95%	95%
2. Number of licensing applications and notices completed during the fiscal year (Ot)	Not Available	Not Available	1,918	1,900	2,477	Discontinued	Discontinued
<b>Performance Goal: Provide highly effective and professional licensing services (E1B) 1/</b>							
1. Average survey rating of OCC's timeliness on licensing applications (M)	1.15	1.19	1.16	≤ 1.5	1.20	Discontinued	Discontinued
2. Average survey rating of the knowledge of OCC's licensing staff (M)	1.17	1.19	1.14	≤ 1.5	1.20	Discontinued	Discontinued
3. Average survey rating of the professionalism of OCC's licensing staff (M)	1.10	1.12	1.09	≤ 1.5	1.10	Discontinued	Discontinued
4. Average survey rating of the overall licensing services provided by OCC (M)	1.16	1.17	1.14	≤ 1.5	1.20	Discontinued	Discontinued

## Office of the Comptroller of the Currency

(Dollars in Thousands)							
BUREAU-WIDE ACTIVITIES	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004		FY 2005 Estimate	FY 2006 Estimate
				Target	Actual		
<b>Performance Goal: Issue external legal opinions within established time frames (E1B)</b>							
1. Percentage of external legal opinions issued within established time frames (Oe)	Not Available	Not Available	87%	85%	87%	Discontinued	Discontinued
2. Number of external legal opinions issued during the fiscal year (Ot)	Not Available	Not Available	92	110	119	Discontinued	Discontinued
<b>Treasury Goal: Preserve the integrity of financial systems (F3)</b>							
<b>Treasury Objective: Increase the reliability of the U.S. financial system (F3C)</b>							
Direct Resources [ <i>Salaries and Expense Account</i> ]	\$368,267	\$381,557	\$391,996	\$423,896	\$371,252	\$454,673	\$464,078
Direct FTE	2,571	2,540	2,513	2,512	2,212	2,474	2,496
<b>Performance Goal: Maintain a well-capitalized national banking system (F3C)</b>							
1. Percentage of national banks that are well-capitalized (Oe)	98%	99%	99%	95%	99%	95%	95%
<b>Performance Goal: Maintain a safe and sound national banking system through effective supervision (F3C)</b>							
1. Percentage of national banks with composite CAMELS rating of 1 or 2 (Oe)	94%	95%	94%	90%	94%	90%	90%
2. Percentage of critically undercapitalized banks on which responsible action is taken within 90 calendar days after they become critically undercapitalized (Oe)	Not Available	Not Available	100%	100%	100%	Discontinued	Discontinued
<b>Performance Goal: Achieve effective rehabilitation of problem national banks (F3C)</b>							
1. Rehabilitated problem national banks as a percentage of the problem national banks one year ago (CAMELS 3, 4 or 5) (Oe) [Reworded]	44%	47%	32%	40%	40%	40%	40%
<b>Performance Goal: Maintain a national banking system that effectively complies with consumer laws and regulations (F3C)</b>							
1. Percentage of national banks with consumer compliance rating of 1 or 2 (Oe)	Not Available	Not Available	96%	94%	96%	94%	94%
<b>Performance Goal: Maintain a national banking system that is responsive to community development opportunities (F3C)</b>							
1. Percentage of qualifying community banks receiving an offer of OCC consultation on community development opportunities (Oe) [Reworded]	Not Applicable	Not Applicable	100%	100%	100%	Discontinued	Discontinued
<b>Performance Goal: Facilitate the timely and effective resolution of consumer complaints (F3C)</b>							
1. Percentage of consumer complaints closed within 60 calendar days of receipt (Oe)	Not Available	Not Available	87%	80%	74%	Discontinued	Discontinued
2. Number of consumer complaints opened during the fiscal year (Ot)	Not Available	Not Available	75,114	75,000	68,026	Discontinued	Discontinued
3. Number of consumer complaints closed during the fiscal year (Ot)	Not Available	Not Available	69,044	70,000	68,104	Discontinued	Discontinued



Office of the Comptroller of the Currency

BUREAU-WIDE ACTIVITIES	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004		FY 2005 Estimate	FY 2006 Estimate
				Target	Actual		
<b>Performance Goal: Conduct bank examinations in a highly competent and effective manner (F3C) 2/</b>							
1. Average survey response that the examiner-in-charge and the examination team were knowledgeable (M)	Not Available	Not Available	1.26	≤ 1.5	1.34	Discontinued	Discontinued
2. Average survey response that the examiner's requests for information were reasonable and justified by the examination scope (M)	1.36	1.36	1.31	≤ 1.75	1.36	Discontinued	Discontinued
3. Average survey response that the examination team conducted the examination in a professional manner (M)	1.21	1.21	1.20	≤ 1.75	1.25	Discontinued	Discontinued
4. Average survey response that the examiner-in-charge and examination team clearly and effectively communicated their findings and concerns (M)	1.33	1.32	1.27	≤ 1.75	1.37	Discontinued	Discontinued
5. Average survey response that the report of examination clearly communicated examination findings, significant issues and the corrective actions management needed to take (M)	1.31	1.30	1.26	≤ 1.75	1.30	Discontinued	Discontinued
6. Average survey response that ongoing communication by the examiner-in-charge with senior management and the board was appropriate (M)	1.29	1.29	1.25	≤ 1.75	1.30	Discontinued	Discontinued
Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Customer Satisfaction Measure							
1/ The licensing survey is based on a five-point scale where 1 indicates outstanding and 5 indicates significantly deficient.							
2/ The examination survey is based on a five-point scale where 1 indicates complete agreement and 5 indicates complete disagreement with the statement.							

## **SECTION 4 – SUPPORTING MATERIAL**

### **MAJOR MANAGEMENT CHALLENGES AND HIGH RISK AREAS**

The General Accountability Office listing dated January 2003 did not identify major management challenges or high risk areas specific to the OCC. In the Treasury Office of Inspector General's (OIG) memorandum to the Secretary of the Treasury dated October 26, 2004, anti-money laundering and terrorist financing/Bank Secrecy Act enforcement was cited as one of six challenges facing the Department. As a result, the OIG will perform follow-up audits of previously identified BSA supervisory weaknesses at the OCC. The OCC will focus its attention on BSA/AML supervision and the other five challenges that the Inspector General cited for the Department: corporate management, management of capital investments, information security, linking resources to results, and management of classified and other sensitive information. Specifically:

- With the implementation of a more meaningful and comprehensive time reporting structure at the beginning of FY 2004, the OCC is better positioned to begin implementing the concepts of managerial cost accounting within the agency.
- During FY 2004, the OCC completed accreditations and certifications of its major systems and applications, meeting the Treasury target of 70 percent. The remaining systems and applications will be completed during FY 2005.
- The OCC will continue its participation in the implementation of a Department-wide e-TRAVEL system in an effort to realize economy, efficiency, and effectiveness of consolidation and sharing.
- A comprehensive review of BSA/AML supervision was conducted during FY 2004. The OCC will implement recommendations from this review to enhance supervision and reduce national security risks. Efforts will focus on preventing national banks from being used, wittingly or unwittingly, in money laundering, terrorist financing or other illicit activities. During FY 2005, the OCC will issue a revised BSA handbook. As discussed under the Key Strategic Issues section, the OCC has two information systems projects to enhance BSA/AML work.

**PROGRAM ASSESSMENT RATING TOOL REPORT**

<b>Comptroller of the Currency</b> <b>Program: Bank Supervision</b>	<b>FY PARTed: FY 2002</b> <b>Rating: Effective</b>
<p><b>PART Recommendation 1:</b></p> <ul style="list-style-type: none"><li>• Work together with other federal banking regulatory agencies, including the OCC, the Office of Thrift Supervision (OTS), the National Credit Union Administration (NCUA), the Federal Reserve, and the Federal Deposit Insurance Corporation (FDIC), to align outcome goals and related measures to allow for greater comparison of program performance in the industry.</li></ul> <p><b>Actions Taken:</b> OCC and OTS's strategic goals and performance measures are now very closely aligned.</p> <p><b>Actions Planned or Underway:</b> All of the banking regulatory agencies (OCC, OTS, NCUA, FDIC, Federal Reserve, and the Office of Federal Housing Enterprise Oversight (OFHEO)) continue to share their strategic plans, performance plans, and performance measures on a regular basis. This allows each agency to consider the approaches used by the other agencies when developing or revising their goals and measures.</p>	

## **CROSS-CUTTING COORDINATION EFFORTS**

### **Supervise Budget Activity**

**Performance Goal:** Maintain a well-capitalized national banking system

**Performance Goal:** Maintain a safe and sound national banking system through effective supervision

To accomplish these performance goals, the OCC works with numerous interagency and international regulatory groups. Some of these groups are highlighted below.

### ***Federal Financial Institutions Examination Council (FFIEC)***

The FFIEC, composed of members of each of the five federal financial regulatory agencies (Board of Governors of the Federal Reserve System, FDIC, NCUA, OCC, and OTS), formed as an interagency coordinating committee during the mid-1970s, was formalized by Congress in 1978. The FFIEC has served as a forum for promoting common standards for financial institution supervision and for reconciling many interagency differences. The tradition of coordination has become so ingrained that the agencies now routinely confer on all matters of common interest and concern, both within and beyond the purview of the FFIEC. The FFIEC is empowered to prescribe uniform principles, standards, and report forms for the federal examination of depository institutions and to make recommendations to promote uniformity in the supervision of insured depository institutions. Since its inception in 1979, the FFIEC has provided uniform examiner training. The FFIEC has taken the lead in developing standardized software needed for major data collection programs that support supervisory requirements.

The OCC works with each of the FFIEC's six task forces to carry out interagency objectives and activities. These task forces are Consumer Compliance, Examiner Education, Information Sharing, Reports, Supervision, and Surveillance Systems.

Under the auspices of the FFIEC, the agencies continued work on updating the 1996 FFIEC Information Systems Examination Handbook. In FY 2004 updated booklets were published on electronic banking, audit, management, retail payments systems, Fedline transfer applications, development and acquisition, and outsourcing.

### ***BSA/AML Working Groups***

The OCC works closely with other federal and international regulators to strengthen and enhance efforts to combat money laundering and terrorist financing activities. The FFIEC formed an interagency working group to further enhance the coordination of BSA/AML training and awareness and to improve communication between the federal banking agencies and the Financial Crimes Enforcement Network (FinCEN). The FFIEC's working group will build upon existing efforts and work to strengthen the activities that are already being pursued by other formal and informal groups including: the Bank Secrecy Act Advisory Group (which includes representatives from law enforcement agencies, regulatory agencies, and the private sector and advises the Secretary of the Treasury on matters related to the administration of the BSA); the Bank Fraud Working Group (a group comprised of FFIEC member agencies and law enforcement agencies, including the Federal Bureau of Investigation, U.S. Postal Inspection Service, and U.S. Secret Service that share information on current and emerging fraud issues); and the international Financial Action Task Force. The OCC is an active participant in all of these working groups.

### ***Basel Committee on Banking Supervision and the Joint Forum***

The Basel Committee on Banking Supervision provides a forum for international cooperation on matters relating to bank supervision. The Committee promotes harmonization through the issuance of "sound practices" papers and the development of supervisory standards to which its members voluntarily adhere. The OCC is involved in the Basel Committee on Bank Supervision's efforts to update and revise the Basel Capital Accord to make the capital standards required of internationally active banks more comprehensive, risk sensitive, and reflective of advances in banks' risk measurement and management practices (Basel II).

The Joint Forum is an international panel of banking, securities, and insurance regulators responsible for the supervision of financial conglomerates. Major issues pursued by these international bodies include enhanced information sharing, reform of capital regulations, and improved transparency and credit risk management practices.

### ***Interagency Country Exposure Risk Committee (ICERC)***

The ICERC members, the FDIC, the Federal Reserve, and the OCC, are responsible for providing an objective opinion concerning the degree of transfer risk that is inherent in the cross-border and cross-currency lending by U.S. banks. OCC's participation in ICERC helps ensure that global economic and market events are assessed and their potential impact is uniformly integrated into the supervisory process. OCC serves as the secretariat for the ICERC committee.

***Shared National Credits Program***

The Shared National Credits Program is an interagency effort to perform a uniform credit review of bank loans that exceed \$20 million and are shared by three or more banks. The reviews are performed annually with results distributed to examining personnel as well as to the agent and participant banks.

***Financial Banking and Infrastructure Information Committee (FBIIC)***

The FBIIC was formed to facilitate federal efforts to improve the reliability and security of the U.S. financial system. The Committee is composed of representatives of the Commodity Futures Trading Commission, the Conference of State Bank Supervisors, the Department of the Treasury, the FDIC, the Federal Housing Finance Board, the Federal Reserve Bank of New York, the Federal Reserve Board, the Homeland Security Council, the National Association of Insurance Commissioners, the NCUA, the OCC, the OFHEO, the OTS, and the Securities and Exchange Commission. Treasury's Assistant Secretary for Financial Institutions chairs the Committee.

The key objectives of FBIIC are to work with the appropriate financial regulatory authorities and the financial industry to: identify critical components of the financial infrastructure; identify vulnerabilities in the infrastructure; remediate those vulnerabilities; evaluate progress; and provide procedures and systems to allow regulators to communicate among themselves and with the private sector during times of crisis.

**DETAIL OF FULL-TIME EQUIVALENT STAFF YEARS BY CATEGORY**

Position Category	Actual FY 2004	Estimated		Increase/Decrease for FY 2006		
		FY 2005	FY 2006	Total Changes	Program Changes	Other Changes
Statutory executive positions.....	1	1	1	-	-	
Attorney, Legal Clerk & Paralegal.....	127	133	135	2	2	
Bank Examiner.....	1,778	1,863	1,878	15	15	
Economist & Financial Analyst.....	51	56	58	2	2	
Other Administrative & Professional.....	437	446	447	1	1	
Secretarial & Clerical.....	201	207	208	1	1	
Crafts and custodial.....	1	1	1	-	-	
<b>Full-time permanent equivalent positions.....</b>	<b>2,596</b>	<b>2,707</b>	<b>2,728</b>	<b>21</b>	<b>21</b>	<b>-</b>
Part-time & temporary full-time equivalent positions.....	82	84	84	-	-	
<b>Total full-time equivalent positions.....</b>	<b>2,678</b>	<b>2,791</b>	<b>2,812</b>	<b>21</b>	<b>21</b>	<b>-</b>

**DETAIL OF FULL-TIME EQUIVALENT POSITIONS BY GRADE**

<b>Grade</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Proposed Operating Level</b>	<b>FY 2006 Budget Estimate</b>
Executive Level 1.....	-	-	-
Executive Level 2.....	-	-	-
Executive Level 3.....	-	-	-
Executive Level 4.....	-	-	-
Executive Level 5.....	-	-	-
<b>Subtotal.....</b>	<b>-</b>	<b>-</b>	<b>-</b>
Senior Executive Service Pay Band 1/.....	1	1	1
<b>Subtotal.....</b>	<b>1</b>	<b>1</b>	<b>1</b>
NB-09.....	9	9	9
NB-08.....	33	36	36
NB-07.....	263	268	270
NB-06.....	861	873	879
NB-05.....	839	868	873
NB-04.....	378	410	425
NB-03.....	242	272	265
NB-02.....	45	48	49
NB-01.....	7	6	5
<b>Subtotal 2/.....</b>	<b>2,677</b>	<b>2,790</b>	<b>2,811</b>
Other (Wage grade or GS ).....	-	-	-
<b>Total full-time equivalent positions.....</b>	<b>2,678</b>	<b>2,791</b>	<b>2,812</b>

1/ PL 108-136 abolishes the six levels of SES pay and replaces it with a new performance-based system effective January 2004.

2/ Pay bands (Plan NB) established consistent with OCC excepted service Title 3 authority.



## STANDARD OBJECT CLASSIFICATION SCHEDULE – DIRECT OBLIGATIONS

(Dollars in Thousands)				
Object Class	FY 2004 Actual	FY 2005 Proposed Operating Level	FY 2006 Budget Estimate	Increases/ Decreases for FY 2006
Object Classification				
Personnel compensation:				
Permanent positions.....	246,968	267,344	283,598	16,254
Positions other than permanent.....	6,006	6,191	6,619	428
Other personnel compensation.....	2,583	1,300	1,319	19
Special personal services payments.....	-	10	11	1
<b>Total personnel compensation.....</b>	<b>255,557</b>	<b>274,845</b>	<b>291,547</b>	<b>16,702</b>
Civilian personnel benefits.....	70,234	91,559	88,831	(2,728)
Benefits to former personnel.....	3,186	390	392	2
Travel and transportation of persons.....	26,955	32,345	33,336	991
Transportation of things.....	1,917	2,279	2,302	23
Rents, communications and utilities:				
Rental payments to GSA.....	445	286	286	-
Rental payments to others.....	26,993	25,714	30,393	4,679
Other rents, communications and utilities.....	3,304	8,334	8,596	263
Printing and reproduction.....	873	1,149	1,150	1
Other services:				
Advisory & assistance services.....	-	-	-	-
Other services.....	33,547	58,349	52,910	(5,439)
Purchase of goods/services from Govt. accts.....	-	-	-	-
Operation & maintenance of facilities.....	-	-	-	-
Research & development contracts.....	-	-	-	-
Medical care.....	-	-	-	-
Operation & maintenance of equipment.....	-	-	-	-
Subsistence & support of persons.....	-	-	-	-
Supplies and materials.....	2,510	4,622	4,723	101
Equipment.....	20,153	11,305	12,938	1,633
Lands and structures.....	3,636	8,117	2,484	(5,633)
Insurance claims and indemnities.....	153	115	120	5
Confidential expenditures.....	-	-	-	-
<b>Total obligations.....</b>	<b>449,463</b>	<b>519,409</b>	<b>530,008</b>	<b>10,599</b>
Unobligated balance available, SOY.....				-
Unobligated balance available, EOY.....				-
Unobligated balance expiring.....				-
<b>Total budget estimate.....</b>	<b>449,463</b>	<b>519,409</b>	<b>530,008</b>	<b>10,599</b>

## VERIFICATION AND VALIDATION OF DATA AND PERFORMANCE MEASUREMENT

The following list presents the definitions and verification and validation information for each performance measure that supports OCC's annual performance plan and as reported in OCC's Summary of Program Resources and Performance Table. Based on the verification and validation information, OCC rated each measure's data as having "Reasonable Accuracy" (judged to be sufficiently accurate for program management and performance reporting purposes).

### CHARTER BUDGET ACTIVITY

Treasury Strategic Goal: Promote prosperous U.S. and World economies

Performance Goal: Increase the proportion of institutions that use the Internet to file licensing applications

**Performance Measure 1:** Percentage of licensing applications filed electronically (Discontinued)

**Performance Measure 2:** Number of licensing applications filed electronically during the fiscal year (Discontinued)

Definition: Measure 1 reflects the extent to which institutions are using the Internet to file licensing applications with the OCC. Measure 2 reflects the total volume of electronic filings during the fiscal year. The e-Corp component of OCC's National BankNet allows banks to file branch and relocation applications electronically. Access to e-Corp is limited to certain individuals within each bank who have the need to draft or sign licensing applications filed with the OCC. The number of applications received during the fiscal year through OCC's e-Corp system is compared to the total number of licensing applications received during the fiscal year.

How Data is Captured: The Chief Counsel's office will use an e-Corp database to identify all licensing applications received electronically and will use the Corporate Activity Information System (CAIS) to identify the total volume of applications received during the fiscal year.

## Office of the Comptroller of the Currency

Data Verification and Validation: The Licensing Department tracks processing of all applications through CAIS. CAIS includes receipt date, decision and consummation dates, and other application data. Applications filed on e-Corp are captured and maintained on a database. The analyst who is assigned the application will verify the accuracy of the CAIS data as the application is processed. The senior analyst or manager who approves the final decision also verifies the accuracy of the CAIS data.

Data Accuracy: Reasonable Accuracy

Data Frequency: Quarterly

Performance Goal: Complete licensing applications and notices in a timely manner

**Performance Measure 1:** Percentage of licensing applications and notices completed within established time frames

**Performance Measure 2:** Number of licensing applications and notices completed during the fiscal year (Discontinued)

Definition: Measure 1 reflects the extent to which OCC meets its established time frames for reaching decisions on licensing applications and notices. Measure 2 reflects the total volume of licensing applications and notices completed during the fiscal year. The OCC's timely and effective approval of corporate applications contributes to the nation's economy by enabling national banks to engage in corporate transactions and introduce new financial products and services. The percentage is determined by comparing the number of licensing applications and notices processed within the required time frames to the total number of licensing applications and notices processed during the fiscal year. The processing time is the number of calendar days from the date of OCC receipt (or in some cases, publication of application) to the date of OCC's decision. The established processing time frame depends on the type of application or notice and if it qualifies for expedited processing (applications filed by eligible banks qualify - with time frames specified in appropriate sections of 12 CFR 5). Targeted time frames are made available to all applicants in the Comptroller's Corporate Manual.

How Data is Captured: The Chief Counsel's office uses the CAIS to identify applications and notices completed during the fiscal year. For each filing, the actual decision date is compared to the target action date to determine whether the application or notice was completed within established standards.

Office of the Comptroller of the Currency

Data Verification and Validation: The Licensing Department tracks processing of all applications and notices through CAIS. The established standard for each application or notice is recorded as the target action date in CAIS. OCC's decision date is recorded as the actual decision date. The validity of CAIS data was discussed previously.

Data Accuracy: Reasonable Accuracy

Data Frequency: Quarterly

Performance Goal: Provide highly effective and professional licensing services

**Performance Measure 1:** Average survey rating of OCC's timeliness on licensing applications (Discontinued)

**Performance Measure 2:** Average survey rating of the knowledge of OCC's licensing staff (Discontinued)

**Performance Measure 3:** Average survey rating of the professionalism of OCC's licensing staff (Discontinued)

**Performance Measure 4:** Average survey rating of the overall licensing services provided by OCC (Discontinued)

Definition: Performance measures reflect the average responses to a survey of all applicants that receive a decision on a licensing application or notice during the fiscal year. The surveys are used to obtain feedback on the timeliness and quality of licensing services provided by the OCC. The surveys are administered by the Licensing function in the Office of the Chief Counsel. Applicants are asked to rate each survey statement using a five-point scale, in which 1 indicates outstanding and 5 indicates significantly deficient. The OCC's goal is to maintain customer satisfaction at a high level, reflected in an average rating for each survey statement of 1.5 or better.

How Data is Captured: Survey results are input into an Excel spreadsheet by a licensing technician upon receipt of the completed survey. The averages are computed using the functions in the spreadsheet application.

## Office of the Comptroller of the Currency

Data Verification and Validation: The survey results are reviewed by the Licensing Program Analyst and reported to the Manager of Licensing Operations to identify trends, aberrations, and potential process improvements in the licensing function.

Data Accuracy: Reasonable Accuracy

Data Frequency: Quarterly

### REGULATE BUDGET ACTIVITY

Treasury Strategic Goal: Promote prosperous U.S. and World economies

Performance Goal Issue external legal opinions within established time frames

**Performance Measure 1:** Percentage of external legal opinions are issued within established time frames (Discontinued)

**Performance Measure 2:** Number of external legal opinions issued during the fiscal year (Discontinued)

Definition: Measure 1 reflects the extent to which OCC meets its established time frames for issuing legal opinions on external requests. Measure 2 reflects the total volume of external legal opinions issued during the fiscal year. Timely consideration of requests for legal opinions from the OCC is critical to supporting a flexible legal and regulatory framework that enables the national banking system to provide a full competitive array of financial services. The percentage is determined by comparing the number of external legal opinions issued within 60 calendar days of receipt during the fiscal year to the total number of external legal opinions issued or due to be issued during the fiscal year. Opinion requests of an exceptionally complex nature or that are characterized as non-routine for other valid reasons may be deleted from this calculation of the measure through a determination at the Deputy Chief Counsel level or higher.

How Data is Captured: The Chief Counsel's office will use the Lotus Notes Project Tracking System (PTS) to identify the legal opinions issued during the fiscal year (exclusive of approved exceptions). The elapsed days between receipt of the opinion request and the date of the signed opinion will be calculated for each opinion issued.

## Office of the Comptroller of the Currency

Data Verification and Validation: Attorneys assigned to prepare legal opinions will record start and end dates in PTS based on the date of receipt of a technically complete request for an opinion and the date of the signed final written opinion. On a periodic basis, a sample of legal opinions will be compared to the PTS data to ensure the accuracy of the data.

Data Accuracy: Reasonable Accuracy

Data Frequency: Quarterly

### **SUPERVISE BUDGET ACTIVITY**

Treasury Strategic Goal: Preserve the integrity of financial systems

Performance Goal: Maintain a well-capitalized national banking system

**Performance Measure 1:** Percentage of national banks that are well-capitalized

Definition: This measure reflects whether the national banking system is well-capitalized at fiscal year-end. The Federal Deposit Insurance Act established a system of prompt corrective action (PCA) that classifies insured depository institutions into five categories (well-capitalized; adequately capitalized; undercapitalized, significantly undercapitalized; and critically undercapitalized) based on their relative capital levels. The purpose of PCA is to resolve the problems of insured depository institutions at the least possible long-term cost to the deposit insurance fund. Well-capitalized institutions are defined by the following: a) total risk-based ratios > 10.0%; b) tier 1 risk-based ratios > 6.0%; c) tier 1 leverage ratios > 5.0%; and, d) not subject to a capital order or directive. Definitions for these ratios are contained in the *Uniform Bank Performance Report User's Guide* (<http://www.ffiec.gov/UBPR.htm>). The percentage is determined by comparing the number of national banks that meet all of the established criteria for being well-capitalized to the total number of national banks at fiscal year-end.

How Data is Captured: The Supervisory Information office reviews the Reports of Condition and Income (i.e., call reports) for each quarter to identify national banks that meet all of the criteria for a well-capitalized institution. The number of national banks at fiscal year-end is obtained from the Federal Reserve Board's National Information Center database.

## Office of the Comptroller of the Currency

Data Verification and Validation: National banks file quarterly Reports of Condition and Income with the FFIEC through the Federal Deposit Insurance Corporation's data processing center. The banks' boards of directors attest to the accuracy of the reported data. The reliability of these quarterly reports is evaluated by OCC examiners during bank examinations.

Data Accuracy: Reasonable Accuracy

Data Frequency: Quarterly

Performance Goal: Maintain a safe and sound national banking system through effective supervision

**Performance Measure 1:** Percentage of national banks with composite CAMELS rating of 1 or 2

Definition: This measure reflects the overall condition of the national banking system at fiscal year-end. Bank regulatory agencies use the Uniform Financial Institutions Rating System, CAMELS, to provide a general framework for assimilating and evaluating all significant financial, operational and compliance factors inherent in a bank. Evaluations are made on: Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to market risk. The rating scale is 1 through 5 where 1 is the highest rating granted. CAMELS ratings are assigned at the completion of every bank examination or when there is a significant event leading to a change in CAMELS. These ratings are entered into OCC's management information systems by the field Examiner-in-Charge and reviewed and approved by the Supervisory Offices' Assistant Deputy Comptroller (Mid-Size/Community banks) or Deputy Comptroller (Large banks). The percentage is determined by comparing the number of national banks with current composite CAMELS ratings of 1 or 2 to the total number of national banks at fiscal year-end.

How Data is Captured: The Supervisory Information office identifies the current composite ratings from Examiner View (EV) and Supervisory Information System (SIS) at fiscal year-end. The number of national banks at fiscal year-end is obtained from the Federal Reserve Board's National Information Center database. EV and SIS are proprietary systems that house information gathered from and used in the bank supervision process.

Data Verification and Validation: Either quarterly or semi-annually, an independent reviewer compares a sample of Reports of Examination to the EV and SIS data to ensure the accuracy of the recorded composite ratings. Any discrepancies between the supporting documentation and the systems data are reported to the respective Assistant Deputy Comptroller or Deputy Comptroller for corrective action.

Data Accuracy: Reasonable Accuracy

Data Frequency: Quarterly

**Performance Measure 2:** Percentage of critically undercapitalized banks on which responsible action is taken within 90 calendar days after they become critically undercapitalized (Discontinued)

Definition: This measure reflects timely resolution of significant problem bank situations that can contribute to the effective maintenance of the Bank Insurance Fund. Bank regulatory agencies adopted regulations to implement prompt corrective action that classify insured depository institutions into five categories based on their relative capital levels. Critically undercapitalized banks are those with tangible equity of 2.0%. If the critical undercapitalization of the bank cannot be otherwise resolved (i.e., sold, merged, etc.), the OCC places the bank into either receivership or conservatorship to minimize potential losses to the Bank Insurance Fund. The percentage is determined by comparing the number of critically undercapitalized banks placed into receivership, conservatorship or are otherwise effectively resolved within 90 calendar days of becoming critically undercapitalized to the total number of banks that have been critically undercapitalized for more than 90 days at fiscal year-end.

How data is captured: The date a bank becomes critically undercapitalized and the resolution date are recorded in EV and SIS. This information flows into the monthly Problem Bank Report, which is monitored to ensure responsible action is taken in a timely manner. The Special Supervision (SPSU) office in OCC's headquarters office will use this report to manually determine the elapsed calendar days between when a bank becomes critically undercapitalized and the date OCC takes action.

Data Verification and Validation: SPSU is delegated supervisory responsibility for critically undercapitalized banks. SPSU notifies banks when they become critically undercapitalized and the SPSU is responsible for the disposition of critically undercapitalized banks. The SPSU examiner/staff enters the date the bank is notified that it has become critically undercapitalized and the date the bank is placed into either receivership or conservatorship, or otherwise resolved, in EV and SIS. Both of these actions are formally documented communications with the banks and are maintained in the SPSU files. Either quarterly or semi-annually, the SPSU staff verifies the accuracy of the data recorded in EV and SIS.

Data Accuracy: Reasonable Accuracy

Data Frequency: Quarterly



## Office of the Comptroller of the Currency

Performance Goal: Achieve effective rehabilitation of problem national banks

**Performance Measure 1:** Rehabilitated problem national banks as a percentage of the problem national banks one year ago (CAMELS 3, 4 or 5)

Definition: This measure reflects the successful rehabilitation of problem national banks during the past twelve months. Problem banks can ultimately reach a point where rehabilitation is no longer feasible. OCC's early identification of and intervention with problem banks can lead to successful remediation of problem banks. The percentage is determined by comparing the number of national banks that have upgraded composite CAMELS ratings of 1 or 2 from composite CAMELS ratings of 3, 4 or 5 to the total number of national banks that had composite CAMELS ratings of 3, 4 or 5 twelve months ago.

How data is captured: The Supervisory Information office in OCC's headquarters office uses EV and SIS to identify and compare the composite CAMELS ratings for problem banks from twelve months prior to the current period composite CAMELS ratings for the same banks.

Data Verification and Validation: See prior discussion of EV and SIS data.

Data Accuracy: Reasonable Accuracy

Data Frequency: Quarterly

Performance Goal: Maintain a national banking system that effectively complies with consumer laws and regulations

**Performance Measure 1:** Percentage of national banks with consumer compliance rating of 1 or 2

Definition: This measure reflects the national banking system's compliance with consumer laws and regulations. Bank regulatory agencies use the Uniform Financial Institutions Rating System, Interagency Consumer Compliance Rating, to provide a general framework for assimilating and evaluating significant consumer compliance factors inherent in a bank. Each bank is assigned a consumer compliance rating based on an evaluation of its present compliance with consumer protection and civil rights statutes and regulations, and the adequacy of its operating systems designed to ensure continuing compliance. Ratings are on a scale of 1 through 5 in increasing order of supervisory concern. The percentage is determined by comparing the number of national banks with current consumer compliance ratings of 1 or 2 to the total number of national banks subject to consumer compliance examinations at fiscal year-end.

## Office of the Comptroller of the Currency

How Data is Captured: The Supervisory Information office identifies the number of banks with current consumer compliance ratings of 1 or 2 and the total number of national banks from EV and SIS subject to consumer compliance examinations at fiscal year-end.

Data Verification and Validation: Consumer compliance ratings are assigned at the completion of each consumer compliance examination. These ratings are entered into OCC's management information systems, EV and SIS, by the banks' Examiner-in-Charge and reviewed and approved by the Supervisory Offices' Assistant Deputy Comptroller (Mid-Size/Community banks) or Deputy Comptroller (Large banks).

Data Accuracy: Reasonable Accuracy

Data Frequency: Quarterly

Performance Goal: Maintain a national banking system that is responsive to community development opportunities

**Performance Measure 1:** Percentage of qualified community banks receiving an offer of OCC consultation on community development opportunities (Discontinued)

Definition: This measure reflects the level of OCC's proactive outreach on community development opportunities to qualified community banks. Qualified community banks are those that will receive their initial large bank Community Reinvestment Act (CRA) examination within the subsequent 12 months. The CRA requires each bank regulatory agency to assess each covered depository institution's record in helping to meet the credit needs of its entire community, including low-and moderate-income neighborhoods, consistent with safe and sound operations. The large bank CRA test is a three-pronged test: lending, services and investments. Feedback from bankers and community group advocates have identified the investment test as problematic for banks that have not previously been subject to the test. The percentage is determined by comparing the number of consultations offered during the fiscal year to the total number of qualified community banks identified.

How data is captured: Annually, the OCC's Community Affairs office in headquarters develops a list of community banks that on January 1, will receive their initial large bank CRA examination within the subsequent 12 months, i.e., have exceeded \$250 million in assets and is collecting large bank data. The district community affairs officer, in conjunction with the EIC, records in EV the offers of consultations made to the targeted banks.

## Office of the Comptroller of the Currency

Data Verification and Validation: The offers of consultations are supported by a letter, email, or documentation of a telephone call or a meeting with bank officials. See the prior discussion of Reports of Condition and Income and EV and SIS data.

Data Accuracy: Reasonable Accuracy

Data Frequency: Annual

Performance Goal: Facilitate timely and effective resolution of consumer complaints

**Performance Measure 1:** Percentage of consumer complaints closed within 60 calendar days of receipt (Discontinued)

**Performance Measure 2:** Number of consumer complaints open/closed during the fiscal year (Discontinued)

Definition: Measure 1 reflects the timeliness of OCC in facilitating the resolution of consumer complaints within an established standard. Measure 2 reflects the total number of consumer complaints opened and the total number of consumer complaints closed during the fiscal year. To promote fair access to financial services and fair treatment of bank customers, the OCC facilitates the resolution of consumer complaints involving national banks. The percentage is determined by comparing the number of complaints resolved within 60 calendar days during the fiscal year to the total number of complaints resolved during the fiscal year.

How data is captured: The OCC's Ombudsman office identifies the number of closed consumer complaints recorded in the Remedy Action Response System (RARS) for the fiscal year. For each closed consumer complaint, the elapsed days between receipt of complaint and closure is calculated.

Data Verification and Validation: Processing of customer complaints is tracked in the RARS. Both the receipt and closure dates are recorded in RARS. All customer complaints categorized as priority are reviewed by the manager before they are closed to ensure the accuracy of the RARS data. A sample of the remaining complaints is reviewed monthly by either the manager or the Quality Development manager to ensure the accuracy of RARS data.

Data Accuracy: Reasonable Accuracy

Data Frequency: Quarterly

## Office of the Comptroller of the Currency

**Performance Goal:** Conduct bank examinations in a highly competent and effective manner

**Performance Measure 1:** Average survey response that the examiner-in-charge and the examination team were knowledgeable (Discontinued)

**Performance Measure 2:** Average survey response that the examiner's requests for information were reasonable and justified by the examination scope (Discontinued)

**Performance Measure 3:** Average survey response that the examination team conducted the examination in a professional manner (Discontinued)

**Performance Measure 4:** Average survey response that the examiner-in-charge and examination team clearly and effectively communicated their findings and concerns (Discontinued)

**Performance Measure 5:** Average survey response that the report of examination clearly communicated examination findings, significant issues and the corrective actions management needed to take (Discontinued)

**Performance Measure 6:** Average survey response that ongoing communication by the examiner-in-charge with senior management and the board was appropriate (Discontinued)

Definition: These measures reflect the average response to selected questions from the examination survey issued to financial institutions at the conclusion of their supervisory cycle. The surveys are used to obtain feedback on the timeliness and quality of examinations conducted by the OCC. To ensure candid feedback, the examination survey is administered by the Office of the Ombudsman, independent of the supervision process. Institutions are asked to rate each survey statement using a five-point scale, in which 1 indicates complete agreement and 5 indicates complete disagreement. The OCC's goal is to maintain customer satisfaction at a high level, reflected in an average rating for each survey statement of 1.75 or better.

How the Data is Captured: The results are compiled semi-annually, surveys received between January through June and between July and December each year. Upon receipt of the completed survey, it is input into a web-based application by an Ombudsman analyst. The application computes the average score for each question.

## Office of the Comptroller of the Currency

Data Verification and Validation: The survey results are reviewed by the Ombudsman's Office to identify trends, aberrations, and potential process improvements within the examining function. All questionnaires are reviewed by the Ombudsman's Office to determine if follow-up is warranted. The Ombudsman's Office places follow-up calls to gain clarity on all examination-based questions that are rated 3 or worse or on particular concerns expressed on narrative responses. The purpose of these calls is to ensure the questions are answered to the proper scale, to understand the severity of a banker's concern, and whether further follow-up is required by the OCC. Internal audits are also performed to ensure data is accurately entered into the application.

Data Accuracy: Reasonably Accurate

Data Frequency: Semi-annually

**SUMMARY OF CAPITAL INVESTMENTS**

<b>[OCC/Account 015-00-00-0000-0] : Summary of IT and Non-IT Capital Investments</b>								
<b>((\$000))</b>								
<b>Type</b>	<b>Project Name</b>	<b>Cumulative thru FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
	<b>Sustain Current Operations:</b>							
IT	Supervisory Information System (SIS)/Supervise Activity	6,300	1,000	1,000	1,000	900	800	900
IT	Management and Accountability Reporting Tools (\$SMART)/Bureau-wide Activity	12,935	1,645	1,606	1,424	1,291	1,299	1,327
IT	Licensing Information System (LIS)/Charter Activity	0	0	0	829	884	553	553
IT	Enterprise Wide Information Management (EWIM)/Bureau-wide Activity	0	180	440	260	210	70	0
Non-IT	Relocation of Central District Office/Bureau-wide Activity	0	30	1,159	3,748	846	846	846
	<b>Subtotal</b>	19,235	2,855	4,205	7,261	4,131	3,568	3,626
	<b>In-Process Capital Projects:</b>							
IT	Supervisory Information System (SIS)/Supervise Activity	18,000	5,300	5,100	5,100	5,100	4,700	250
IT	Management and Accountability Reporting Tools (\$SMART)/Bureau-wide Activity	5,900	1,265	919	670	587	565	563
IT	Licensing Information System (LIS)/Charter Activity	200	588	392	392	98	98	98
IT	Enterprise Wide Information Management (EWIM)/Bureau-wide Activity	0	0	1,030	980	660	540	330
	<b>Subtotal</b>	24,100	7,153	7,441	7,142	6,445	5,903	1,241
	<b>Proposed New Capital Projects:</b>							
IT	Licensing Information System (LIS)/Charter Activity		3,233	3,134	668	0	0	0
IT	Enterprise Wide Information Management (EWIM)/Bureau-wide Activity		2,750	1,960	1,680	350	470	0
	<b>Subtotal</b>		5,983	5,094	2,348	350	470	0
	<b>Grand Total</b>	43,335	15,991	16,740	16,751	10,926	9,941	4,867